

## Business Indicators ♦ October 2008

### Small Business in BC Continues to Prosper

In view of recent buzz over the state of the economy and with the 2010 Olympics Games just around the corner, it is especially interesting to look at how small businesses fare in the province.<sup>1</sup> The small business sector remains a key instrument of job creation and economic sustainability in British Columbia. It is the primary source of private sector jobs in the province, reflecting an ongoing trend toward economic diversification. It is also a vital source of innovation—approximately 96% of high technology businesses in BC are small businesses.

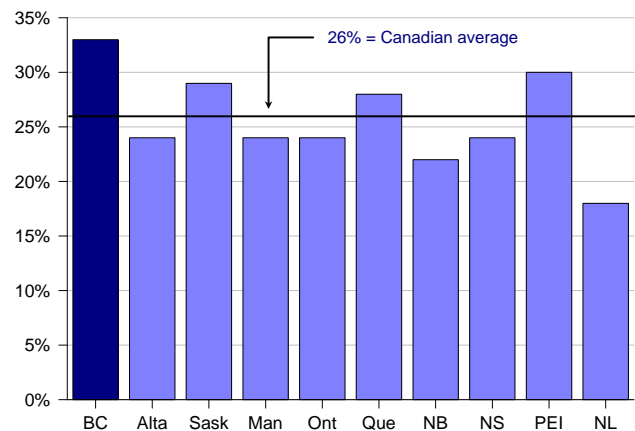
#### A business is defined as a small business if it is either:

- A business with fewer than 50 employees
- Operated by a self-employed person with no paid help

In 2007, British Columbia's small business accounted for a third (33%) of provincial GDP, the highest of all provinces and well above the Canadian average (26%). This indicates that small business plays a more significant role in the provincial economy in British Columbia than it does in other parts of the country.

<sup>1</sup> This article is a summary of a larger report: *Small Business Profile 2008*, which is available online at [www.bcstats.gov.bc.ca](http://www.bcstats.gov.bc.ca)

#### BC ranked first among provinces in terms of proportion of GDP generated by small business



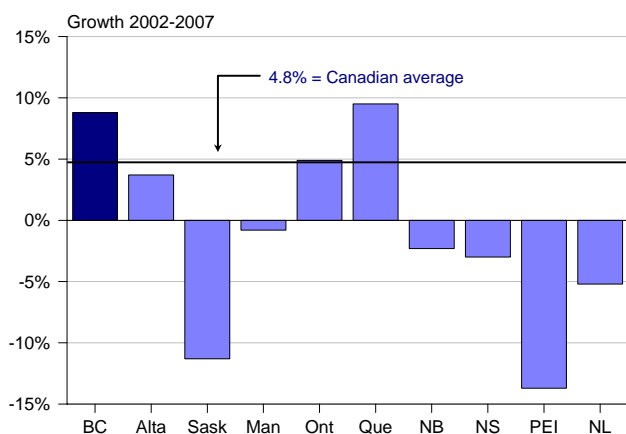
Source: BC Stats

#### Small business continues to grow in BC

British Columbia recorded a total of 386,600 businesses in 2007, of which 98 per cent (379,700) were small businesses. Nearly 57 per cent of all businesses in the province were operated by self-employed people with no paid employees, while less than 55 per cent of all Canadian businesses were comprised of such individuals. In 2007, the total number of small businesses operating in British Columbia increased 2.4 per cent over the previous year. This marked the sixth consecutive year of growth and the largest increase since 2003. Small businesses with employees (+0.4 per cent) and businesses run by unincorporated self-employed individuals without paid help (+4.0 per cent) both grew in number.

British Columbia has been a national leader in small business growth over the past five years. From 2002 to 2007, the number of small businesses in the province soared by 8.8 per cent, surpassing the Canadian growth average of 4.8 per cent and second only to Quebec, at 9.5 per cent. Ontario, with 4.9 per cent growth, was the only other province to exceed the national average while six provinces showed declines.

**B.C. is the leader in small business growth**

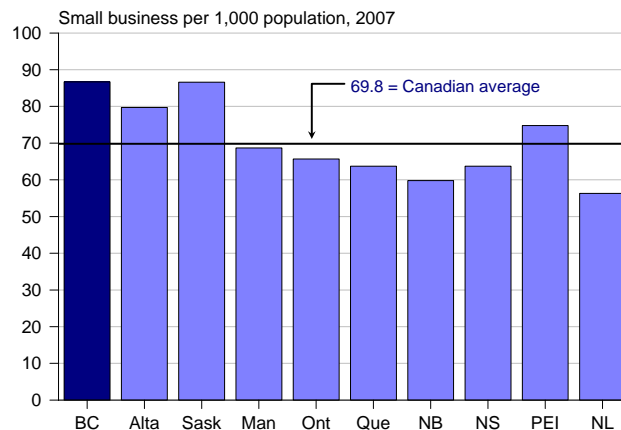


Source: BC Stats using data supplied by Statistics Canada

**Small business is more prevalent in the West**

On a per capita basis, small businesses are more common in Western Canada than in the rest of the country. After surpassing Alberta for the first time in 2005, the province held its second place rank in 2006. In 2007, British Columbia ranked first among the provinces with 86.7 small businesses per 1,000 people, edging out long-time leader Saskatchewan (86.6). British Columbia and Saskatchewan were followed by Alberta (79.7) in per capita small businesses last year and the only other province to exceed the Canadian average of 69.8 small businesses per 1,000 people was Prince Edward Island, at 74.8.

**Western Canada generally has more small businesses per capita**



Source: BC Stats using data supplied by Statistics Canada

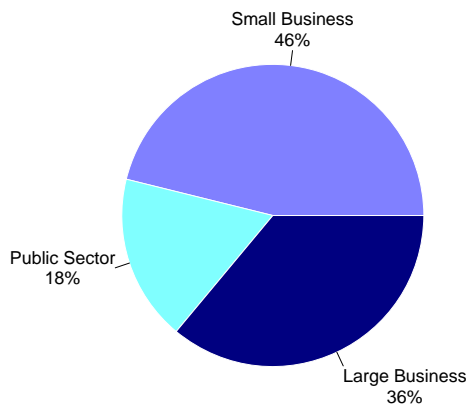
**Nearly half of working people in BC work in small business**

Small businesses in British Columbia are engaged in a range of activities – from “mom and pop” diners, to small lumber milling operations, to self-employed online marketing consultants. Most small businesses fall within the service sector with the largest concentration in the business services industry. Business services, which include occupations such as market researchers and lawyers, contains over 21 per cent of all British Columbian small businesses, followed by wholesale and retail trade with 11 per cent.

In 2007, approximately 1,048,000 jobs in British Columbia were in small businesses. This accounts for nearly half (46 per cent) of the province’s total employment (2,266,300), which represents a slight decrease in the share of jobs derived from small business in 2006 (47 per cent). In 2007, British Columbia led the nation in terms of the percentage of total private sector jobs derived from small business. The rankings show British Columbia with just over 56 per cent private sector employment from small business, marginally ahead of Prince Edward

Island. Saskatchewan ranked third, at 55 per cent, followed by Newfoundland and Labrador, at 53 per cent. The national average across Canada was approximately 50 per cent with Ontario reporting the least dependence on small business for private sector employment, at 46 per cent.

**Almost half the jobs in BC are in small business, 2007**



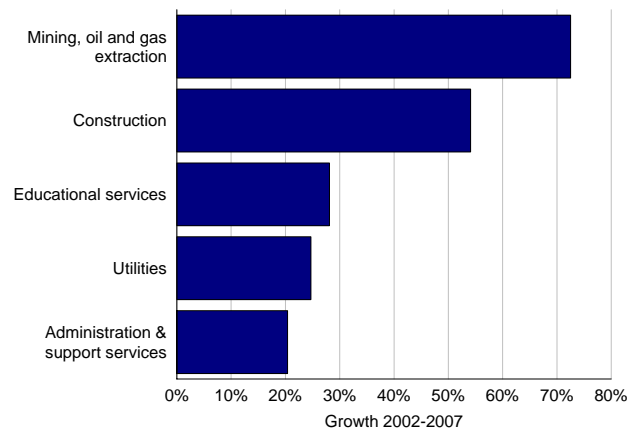
Source: BC Stats using data supplied by Statistics Canada

Between 2006 and 2007, small business employment in British Columbia rose 2.5 per cent, slightly above the Canadian average of 2.4 per cent. Nova Scotia reported the largest increase, at 3.9 per cent. The only other provinces with growth rates exceeding that of the nation as a whole were Alberta, at 3.5 per cent, Quebec, at 3.1 per cent and Ontario, at 2.5 per cent. The province’s steady rise in construction of both housing and other projects in British Columbia, though tempered since 2005, continues to play a role in the growth in small business employment and is likely to continue during preparations for the 2010 Winter Games.

**Construction maintains lead in job creation**

With an impressive employment increase of 54.1 per cent, the construction industry was the largest provider of new small business jobs in British Columbia between 2002 and 2007. As a result of the recent building surge in the province, a whopping 29,630 new jobs were created in this industry over the five year period. The business services sector also added a substantial number of new jobs, increasing its employment by 14.9 per cent and creating nearly 13,000 new jobs. In terms of growth rates, the mining, oil and gas extraction industry recorded the most notable increase over this period with a 72.5 per cent surge in employment. Perhaps partly as a result of the intensified overseas demand for copper, zinc, aluminium, nickel and other nonferrous metals—particularly from China and India—approximately 1,805 new jobs were created in this industry over the five year period.

**Small business employment—fastest growing industries, 2007**



Source: BC Stats using data supplied by Statistics Canada

## Self employment continues to expand

In British Columbia's work force, the proportion of "self-employed" - individuals who spend most of their working hours running their own businesses - has remained strong and relatively stable over the past five years. Last year, self-employment accounted for 18.8 per cent of total employment, virtually unchanged from 2006. This was well above the national share of 15.5 per cent.

In 2007, the overall number of self-employed workers in British Columbia rebounded following a slight dip of -0.5 per cent in 2006. The drop was likely due to a tight economy and labour shortages that drew many self-employed workers into the employee workforce. However, from 2006 to 2007, self-employment growth in the province amounted to 2.8 per cent, or approximately 11,600 workers.

Last year, the number of self-employed without paid help was more than double that of self-employed with paid help. British Columbia's self-employment growth trend was strongest among the self-employed without employees, which increased 27.7 per cent between 1997 and 2007. This contrasts sharply with the slower growth trend in the number of self-employed with hired help, which grew 5.3 per cent during the past decade. The rapid growth in self-employed working alone is not a phenomenon unique to BC. Often, a small business begins with a sole proprietor, who typically runs the business from home and hires staff once the business expands.

## The self-employed have a different profile than employees

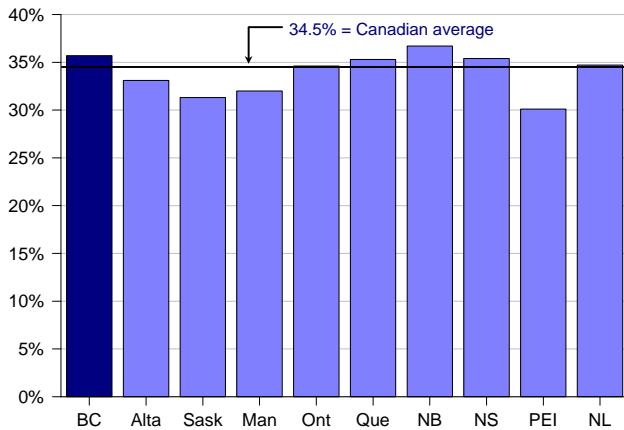
Self-employed people, on average, have a propensity to be older, are more often men, work longer hours and are less likely to be

Aboriginal peoples compared to workers who are employees.

More than half (56 per cent) of the self-employed in BC are between the ages of 35 and 54 while 46 per cent of people in this age category work as paid employees. Younger people are more likely to be employees, rather than entrepreneurs. While 41 per cent of employees are under the age of 35, only 18 per cent of self-employed business owners fit this description. Conversely, 27 per cent of entrepreneurs are aged 55 and over, compared to only 13 per cent of employees.

While workers who are employees are equally likely to be men or women, those who are self-employed are more often men. Last year in British Columbia, almost two-thirds (64 per cent) of the self-employed were men. However, as in the rest of the country, women in British Columbia are making some important strides in terms of business ownership. Among the provinces, British Columbia is second only to New Brunswick (37 per cent) in terms of having the highest proportion of small business owners who are women. A little less than 36 per cent of all small businesses in British Columbia are owned and operated by women, compared to a Canadian average of less than 35 per cent.

Proportion of self-employed who are women, 2007

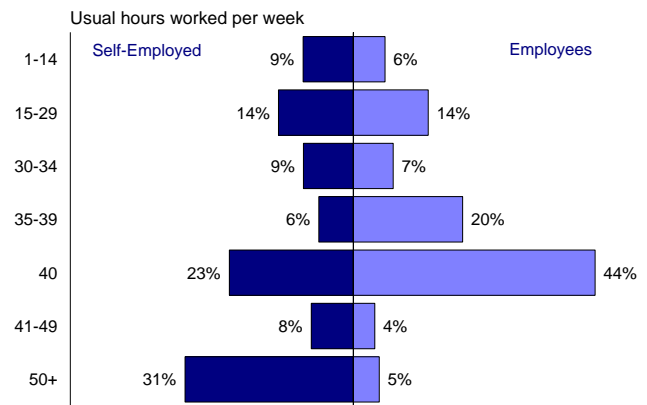


Source: Statistics Canada / Prepared by BC Stats

Aboriginal peoples living off-reserve remain significantly less likely to be self-employed than non-Aboriginals. Approximately 13.7 per cent of off-reserve Aboriginal peoples in British Columbia were self-employed last year, compared to 18.9 per cent of non-Aboriginal peoples.

There is also significant disparity between self-employed and employees in terms of the number of hours worked per week. On average, the self-employed have much longer work days than do employees. While the majority of employees work between 35 and 40 hours per week (64 per cent), just 29 per cent of the self-employed fit in this category. Conversely, thirty-one percent of self-employed people in British Columbia worked exceptionally long hours (over 49 hours per week) last year compared to only five per cent of employees.

Self-employed tend to work longer hours - British Columbia, 2007



Source: Statistics Canada / Prepared by BC Stats

Regional small business growth in BC

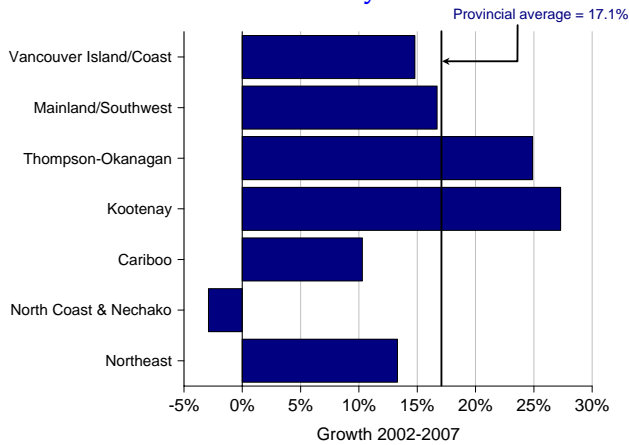
The Northeast region of the province has had strong economic growth in recent years, mainly as a result of activity in the oil and gas sector, and this has been reflected in rising numbers of small businesses and small business employment within the area.

The average annual growth rate for Northeast was 7.3 per cent between 2002 and 2007, translating to an average increase of 400 businesses per year. At 4.7 per cent growth, the Kootenay region was second in terms of average annual growth adding an impressive average of 600 net new small businesses per year. In terms of actual numbers, Mainland/Southwest (+1.5 per cent or 3,000 establishments) and Vancouver Island/Coast (+1.8 per cent or 1,100 establishments) added the most new businesses to the province.

Six of British Columbia's regions recorded substantial growth in self-employment between 2002 and 2007. The Kootenay region led the province recording a robust 27.3 per cent increase over the five-year period. However, this was just 2.4 percentage points higher than

the next fastest growing region, Thompson-Okanagan, at 24.9 per cent. The only region to record a decline was North Coast/Nechako, with 2.9 per cent fewer self-employed over the last five years.

**Self-employment growth rate is highest in Kootenay**



Source: Statistics Canada / Prepared by BC Stats

Clearly, small business plays a crucial role in the economy of British Columbia, not only in terms of its contribution to economic output, but also by providing an abundance of jobs for British Columbians. As the provincial economy continues to diversify, the importance of small business will continue to grow.